

WAPELLO COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2007

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Wapello Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2006 election)</b>		
Don Hardin	President	2007
Mike Delzell	Vice President	2006
Julie Ohde	Board Member	2006
Larry Moser	Board Member	2007
Steve Dickey	Board Member	2008
<b>Board of Education (After September 2006 election)</b>		
Steve Dickey	President	2008
Larry Moser	Vice President	2007
Don Hardin	Board Member	2007
Matt Gish	Board Member	2009
Charles Kerr	Board Member	2009
<b>School Officials</b>		
John M. Weidner, Sr.	Superintendent	2007
Eric Small	District Secretary	2007
Janell Heater	District Treasurer	2007
Roger Huddle	Attorney	2007

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Wapello Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wapello Community School District, Wapello, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wapello Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2008 on our consideration of the Wapello Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Wapello Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMANN & JOHNSON, P.C.

January 25, 2008

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Wapello Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,516,316 in fiscal 2006 to \$6,973,031 in fiscal 2007, while General Fund expenditures increased from \$6,675,833 in fiscal 2006 to \$6,879,463 in fiscal 2007. This resulted in an increase in the District's General Fund balance from \$305,523 in fiscal 2006 to a balance of \$399,091 in fiscal 2007, a 30.63% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in state sources. The increase in expenditures was primarily due to an increase in negotiated salaries and benefits.
- The District's October 2006 enrollment declined compared to the previous year. The certified enrollment was 784.9, a decrease of 29.7 students.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Wapello Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Wapello Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Wapello Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Wapello Community School District Annual Financial Report**

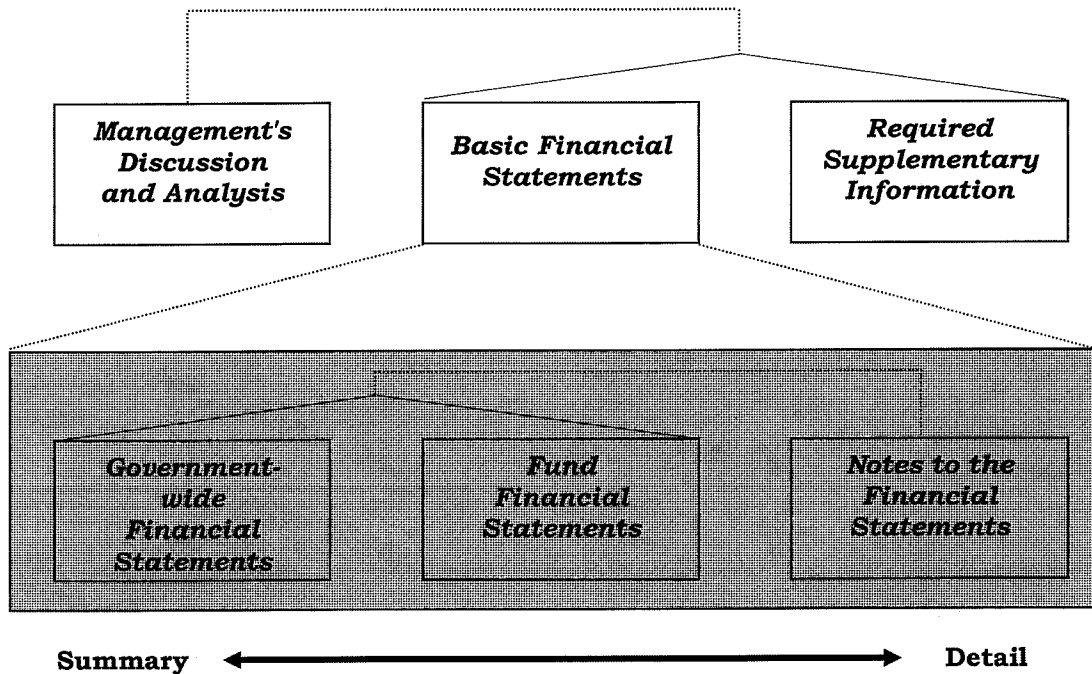


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

***Major Features of the Government-Wide and Fund Financial Statements***

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Day Care Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Agency fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 6,019,262	4,793,018	33,487	22,225	6,052,749	4,815,243	25.70%
Capital assets	2,583,805	2,671,130	42,301	46,377	2,626,106	2,717,507	-3.36%
Total assets	8,603,067	7,464,148	75,788	68,602	8,678,855	7,532,750	15.21%
Long-term obligations	803,056	918,304	0	0	803,056	918,304	-12.55%
Other liabilities	3,920,433	3,421,268	28,065	0	3,948,498	3,421,268	15.41%
Total liabilities	4,723,489	4,339,572	28,065	0	4,751,554	4,339,572	9.49%
Net assets:							
Invested in capital assets, net of related debt	1,780,749	1,752,826	42,301	46,377	1,823,050	1,799,203	1.33%
Restricted	1,699,477	1,066,227	0	0	1,699,477	1,066,227	59.39%
Unrestricted	399,352	305,523	5,422	22,225	404,774	327,748	23.50%
Total net assets	\$ 3,879,578	3,124,576	47,723	68,602	3,927,301	3,193,178	22.99%

The District's combined net assets increased by 22.99%, or \$734,123, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$633,250, or 59.39% over the prior year. The increase was primarily a result of increase in the Capital Projects fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$77,026, or 23.50%. This increase in unrestricted net assets was a result of the District's increase in the General fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 and June 30, 2006.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 505,224	610,723	136,560	196,346	641,784	807,069	-20.48%
Operating grants and contributions and restricted interest	798,122	740,144	252,718	192,829	1,050,840	932,973	12.63%
Capital grants and contributions and restricted interest	260	0	0	0	260	0	100.00%
General revenues:							
Property tax	2,763,721	2,633,424	0	0	2,763,721	2,633,424	4.95%
Income surtax	168,128	0	0	0	168,128	0	100.00%
Local option sales and services tax	497,012	414,939	0	0	497,012	414,939	19.78%
Unrestricted state grants	3,504,479	3,313,436	0	0	3,504,479	3,313,436	5.77%
Unrestricted investment earnings	58,800	25,671	0	0	58,800	25,671	129.05%
Other general revenue	54,889	1,100	0	0	54,889	1,100	4889.91%
Transfers	(6,562)	0	0	0	(6,562)	0	-100.00%
Total revenues, net transfers	8,344,073	7,739,437	389,278	389,175	8,733,351	8,128,612	7.44%
Program expenses:							
Governmental activities:							
Instructional	5,332,860	5,134,761	61,136	0	5,393,996	5,134,761	5.05%
Support services	1,829,547	1,754,471	0	0	1,829,547	1,754,471	4.28%
Non-instructional programs	0	0	349,021	385,132	349,021	385,132	-9.38%
Other expenses	426,664	381,500	0	0	426,664	381,500	11.84%
Total expenses	7,589,071	7,270,732	410,157	385,132	7,999,228	7,655,864	4.48%
Changes in net assets	755,002	468,705	(20,879)	4,043	734,123	472,748	-55.29%
Beginning net assets	3,124,576	2,655,871	68,602	64,559	3,193,178	2,720,430	17.38%
Ending net assets	\$ 3,879,578	3,124,576	47,723	68,602	3,927,301	3,193,178	22.99%

In fiscal 2007, property tax, income surtax, local option sales and services tax and unrestricted state grants account for 83.09% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues and transfers were approximately \$8.7 million of which \$8.3 million was for governmental activities and less than \$0.4 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.44% increase in revenues, net transfers and a 4.48% increase in expenses. The increase in expenses related to increase in the negotiated salary and benefits, as well as increases in utilities and transportation costs.

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## Governmental Activities

Revenues, net transfers for governmental activities were \$8,273,726 and expenses were \$7,589,071.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 5,332,860	5,134,761	3.86%	4,300,522	4,033,826	6.61%
Support services	1,829,547	1,754,471	4.28%	1,829,547	1,753,285	4.35%
Other expenses	426,664	381,500	11.84%	155,396	132,754	17.06%
Totals	\$ 7,589,071	7,270,732	4.38%	6,285,465	5,919,865	6.18%

- The cost financed by users of the District's programs was \$505,224.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$798,382.
- The net cost of governmental activities was financed with \$2,763,721 in property tax, \$168,128 in income surtax, \$497,012 in local option sales and services tax, \$3,504,479 in unrestricted state grants, \$58,800 in interest income and \$54,889 in other general revenue.

## Business-Type Activities

Revenues of the District's business-type activities were \$389,278 and expenses were \$410,157. The District's business-type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Wapello Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,069,288, above last year's ending fund balances of a \$1,379,809. This primarily resulted from an increase in the Capital Projects fund balance.

## Governmental Fund Highlights

- The District's increase in General Fund financial position from \$305,523 to \$399,091 is the product of many factors. Increases in local and state sources were greater than increased operating costs during the year causing the General Fund balance to increase by \$93,568.
- The Capital Projects Fund balance increased from \$718,477 in fiscal 2006 to \$1,213,857 in fiscal 2007. The District received more in local option sales and services tax during the year.

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## Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$84,526 at June 30, 2006 to \$74,049 at June 30, 2007, representing a decrease of 12.40%. The Day Care Fund net assets decreased from a deficit \$15,924 at June 30, 2006 to a deficit \$26,326 at June 30, 2007, representing a decrease of 65.32%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$243,637 more than budgeted revenues, a variance of 2.89%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily due to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2007, the District had invested \$2.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$196,203.

The original cost of the District's capital assets was \$6.2 million. Governmental funds account for \$6.1 million with the remainder of \$0.1 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$1,930,250 at June 30, 2007, compared to \$1,982,613 reported at June 30, 2006. This decrease resulted from the current year depreciation expense.

Figure A-6  
Capital Assets, Net of Depreciation

	Capital Assets, Net of Depreciation						
	Governmental		Business-type		Total		Total Change
	Activities		Activities		School District		
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 35,000	35,000	0	0	35,000	35,000	0.00%
Buildings	1,930,250	1,982,613	0	0	1,930,250	1,982,613	-2.71%
Land improvements	328,436	331,730	0	0	328,436	331,730	-1.00%
Machinery and equipment	290,119	321,787	42,301	46,377	332,420	368,164	-10.75%
Total	\$ 2,583,805	2,671,130	42,301	46,377	2,626,106	2,717,507	-3.48%

### Long-Term Debt

At June 30, 2007, the District had \$803,056 in general and other long-term debt outstanding. This represents a decrease of 12.55% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

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The District had total outstanding General Obligation Bonds payable of \$635,000 at June 30, 2007.

The District had total outstanding Loans payable from the General and Special Revenue, Physical Plant and Equipment Levy Funds of \$124,202 at June 30, 2007.

The District had total outstanding Computer Lease payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$43,854 at June 30, 2007.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total
	2007	2006	Change
General Obligation Bonds	\$ 635,000	770,000	-17.53%
Loans	124,202	148,304	-16.25%
Computer Lease	43,854	0	100.00%
Totals	<u>\$ 803,056</u>	<u>918,304</u>	<u>-12.55%</u>

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Eric Small, Board Secretary, Wapello Community School District, 445 North Cedar Street, Wapello, Iowa, 52653.

## BASIC FINANCIAL STATEMENTS

WAPELLO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP (Note 4)	\$ 620,019	0	620,019
Other	2,222,168	24,203	2,246,371
Receivables:			
Property tax:			
Delinquent	50,651	0	50,651
Succeeding year	2,704,747	0	2,704,747
Income surtax	70,347	0	70,347
Accrued ISCAP interest (Note 4)	33,955	0	33,955
Due from other governments	317,375	0	317,375
Inventories	0	9,284	9,284
Capital assets, net of accumulated depreciation (Note 5)	2,583,805	42,301	2,626,106
<b>TOTAL ASSETS</b>	<b>8,603,067</b>	<b>75,788</b>	<b>8,678,855</b>
<b>LIABILITIES</b>			
Excess of warrants issued over bank balance	0	26,126	26,126
Accounts payable	122,940	200	123,140
Salaries and benefits payable	398,525	0	398,525
Accrued interest payable	40,806	0	40,806
ISCAP warrants payable (Note 4)	621,000	0	621,000
ISCAP interest payable (Note 4)	27,807	0	27,807
ISCAP amortized premium	4,608	0	4,608
Deferred revenue:			
Succeeding year property tax	2,704,747	0	2,704,747
Unearned revenue	0	1,739	1,739
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds payable	145,000	0	145,000
Loans payable	25,109	0	25,109
Computer lease payable	43,854	0	43,854
Portion due after one year:			
General obligation bonds payable	490,000	0	490,000
Loans payable	99,093	0	99,093
<b>TOTAL LIABILITIES</b>	<b>4,723,489</b>	<b>28,065</b>	<b>4,751,554</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,780,749	42,301	1,823,050
Restricted for:			
Debt service	64,951	0	64,951
Talented and gifted	2,796	0	2,796
Beginning teacher mentoring program	529	0	529
Salary improvement program	18	0	18
Additional teacher contract day	196	0	196
Professional development	11,471	0	11,471
Market factor	5,938	0	5,938
Phase I	8,332	0	8,332
Capital projects	1,213,857	0	1,213,857
Management levy	76,749	0	76,749
Physical plant and equipment levy	202,145	0	202,145
Other special revenue purposes	112,495	0	112,495
Unrestricted	399,352	5,422	404,774
<b>TOTAL NET ASSETS</b>	<b>\$ 3,879,578</b>	<b>47,723</b>	<b>3,927,301</b>

SEE NOTES TO FINANCIAL STATEMENTS.



WAPELLO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 3,438,208	186,975	478,923	260	(2,772,050)	0	(2,772,050)
Special instruction	870,521	11,701	47,931	0	(810,889)	0	(810,889)
Other instruction	1,024,131	306,548	0	0	(717,583)	0	(717,583)
	5,332,860	505,224	526,854	260	(4,300,522)	0	(4,300,522)
Support services:							
Student services	128,165	0	0	0	(128,165)	0	(128,165)
Instructional staff services	76,407	0	0	0	(76,407)	0	(76,407)
Administration services	623,218	0	0	0	(623,218)	0	(623,218)
Operation and maintenance of plant services	648,403	0	0	0	(648,403)	0	(648,403)
Transportation services	353,354	0	0	0	(353,354)	0	(353,354)
	1,829,547	0	0	0	(1,829,547)	0	(1,829,547)
Other expenditures:							
Long-term debt:							
Interest and fiscal charges	79,237	0	0	0	(79,237)	0	(79,237)
AEA flowthrough	271,268	0	271,268	0	0	0	0
Depreciation (unallocated) *	76,159	0	0	0	(76,159)	0	(76,159)
	426,664	0	271,268	0	(155,396)	0	(155,396)
Total governmental activities	7,589,071	505,224	798,122	260	(6,285,465)	0	(6,285,465)
Business-Type activities:							
Instruction:							
Regular instruction:							
Day care services	61,136	0	55,441	0	0	(5,695)	(5,695)
Non-instructional programs:							
Nutrition services	344,314	136,560	197,277	0	0	(10,477)	(10,477)
Day care services	4,707	0	0	0	0	(4,707)	(4,707)
	349,021	136,560	197,277	0	0	(15,184)	(15,184)
Total business-type activities	410,157	136,560	252,718	0	0	(20,879)	(20,879)
Total	\$ 7,999,228	641,784	1,050,840	260	(6,285,465)	(20,879)	(6,306,344)
General Revenues and Transfers:							
General Revenues:							
Local tax for:							
General purposes					2,392,262	0	2,392,262
Capital projects					164,003	0	164,003
Debt service					207,456	0	207,456
Income surtax					168,128	0	168,128
Local option sales and services tax					497,012	0	497,012
Unrestricted state grants					3,504,479	0	3,504,479
Unrestricted investment earnings					58,800	0	58,800
Other general revenue					54,889	0	54,889
Transfers					(6,562)	0	(6,562)
Total general revenues and transfers					7,040,467	0	7,040,467
Changes in net assets					755,002	(20,879)	734,123
Net assets beginning of year					3,124,576	68,602	3,193,178
Net assets end of year					\$ 3,879,578	47,723	3,927,301

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments:				
ISCAP(Note 4)	\$ 620,019	0	0	620,019
Other	842,482	931,722	447,964	2,222,168
Receivables:				
Property tax:				
Delinquent	41,896	0	8,755	50,651
Succeeding year	2,221,883	0	482,864	2,704,747
Income surtax	70,347	0	0	70,347
Accrued ISCAP interest(Note 4)	33,955	0	0	33,955
Due from other governments	35,240	282,135	0	317,375
<b>TOTAL ASSETS</b>	<b>\$ 3,865,822</b>	<b>1,213,857</b>	<b>939,583</b>	<b>6,019,262</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 122,561	0	379	122,940
Salaries and benefits payable	398,525	0	0	398,525
ISCAP warrants payable(Note 4)	621,000	0	0	621,000
ISCAP interest payable(Note 4)	27,807	0	0	27,807
ISCAP amortized premium	4,608	0	0	4,608
Deferred revenue:				
Succeeding year property tax	2,221,883	0	482,864	2,704,747
Income surtax	70,347	0	0	70,347
Total liabilities	3,466,731	0	483,243	3,949,974
Fund balances:				
Reserved for:				
Debt service	0	0	64,951	64,951
Talented and gifted	2,796	0	0	2,796
Beginning teacher mentoring program	529	0	0	529
Salary improvement program	18	0	0	18
Additional teacher contract day	196	0	0	196
Professional development	11,471	0	0	11,471
Market factor	5,938	0	0	5,938
Phase I	8,332	0	0	8,332
Unreserved:				
Undesignated:				
General	369,811	0	0	369,811
Capital projects	0	1,213,857	0	1,213,857
Management levy	0	0	76,749	76,749
Physical plant and equipment levy	0	0	202,145	202,145
Other special revenue purposes	0	0	112,495	112,495
Total fund balances	399,091	1,213,857	456,340	2,069,288
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,865,822</b>	<b>1,213,857</b>	<b>939,583</b>	<b>6,019,262</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007

Total fund balances of governmental funds (page 15) \$ 2,069,288

*Amounts reported for governmental activities in the  
statement of net assets are different because:*

Capital assets used in governmental activities are not  
financial resources and, therefore, are not report as  
assets in in the governmental funds. 2,583,805

Accounts receivable income surtax, are not yet available  
to finance expenditures of the current period. 70,347

Accrued interest payable on long-term liabilities is not due  
and payable in the current period and, therefore, is not  
reported as a liability in the governmental funds. (40,806)

Long-term liabilities, including general obligation bonds,  
loans payable and computer lease payable, are not due and  
payable in the current period and, therefore, are not reported  
as liabilities in the governmental funds. (803,056)

Net assets of governmental activites (page 13) \$ 3,879,578

WAPELLO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 2,384,187	497,012	477,315	3,358,514
Tuition	176,768	0	0	176,768
Other	109,824	14,222	318,099	442,145
State sources	4,098,313	0	349	4,098,662
Federal sources	203,939	0	260	204,199
Total revenues	6,973,031	511,234	796,023	8,280,288
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	3,276,016	0	131,155	3,407,171
Special instruction	870,521	0	0	870,521
Other instruction	710,943	0	313,188	1,024,131
	4,857,480	0	444,343	5,301,823
Support services:				
Student services	118,273	0	9,070	127,343
Instructional staff services	66,749	0	9,658	76,407
Administration services	617,273	0	1,100	618,373
Operation and maintenance of plant services	604,174	0	30,989	635,163
Transportation services	329,246	0	16,251	345,497
	1,735,715	0	67,068	1,802,783
Other expenditures:				
Facilities acquisitions	0	15,854	30,781	46,635
Long-term debt:				
Principal	0	0	159,102	159,102
Interest and fiscal charges	0	0	46,490	46,490
AEA flowthrough	271,268	0	0	271,268
	271,268	15,854	236,373	523,495
Total expenditures	6,864,463	15,854	747,784	7,628,101
Excess of revenues over expenditures	108,568	495,380	48,239	652,187
Other financing sources(uses):				
Transfer in	0	0	45,058	45,058
Transfer out	(15,000)	0	(36,620)	(51,620)
Proceeds from capital lease	0	0	43,854	43,854
Total other financing sources(uses)	(15,000)	0	52,292	37,292
Net change in fund balances	93,568	495,380	100,531	689,479
Fund balance beginning of year	305,523	718,477	355,809	1,379,809
Fund balance end of year	\$ 399,091	1,213,857	456,340	2,069,288

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2007

Net change in fund balances - total governmental funds(page 17) \$ 689,479

**Amounts reported for governmental activities in the  
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceed depreciation expense and loss on disposal in the current year, as follows:

Expenditures for capital assets	\$ 103,294	
Depreciation expense	<u>(190,619)</u>	(87,325)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issued, as follows:

Issued	\$ (43,854)	
Repaid	<u>159,102</u>	115,248

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(32,747)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.

70,347

Changes in net assets of governmental activities(page 14)

\$ 755,002

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2007

	Business-type Activities - Enterprise Funds		
	School Nutrition	Day Care	Total
ASSETS			
Current assets:			
Cash and pooled investments	\$ 24,203	0	24,203
Inventories	9,284	0	9,284
Non-current assets:			
Capital assets, net of accumulated depreciation (Note 5)	42,301	0	42,301
TOTAL ASSETS	75,788	0	75,788
LIABILITIES			
Excess of warrants issued over bank balance	0	26,126	26,126
Accounts payable	0	200	200
Unearned revenue	1,739	0	1,739
TOTAL LIABILITIES	1,739	26,326	28,065
NET ASSETS			
Invested in capital assets	42,301	0	42,301
Unrestricted	31,748	(26,326)	5,422
Total net assets	\$ 74,049	(26,326)	47,723

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds		
	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for service	\$ 136,560	0	136,560
OPERATING EXPENSES:			
Instruction:			
Regular instruction:			
Salaries	0	44,834	44,834
Benefits	0	16,302	16,302
	0	61,136	61,136
Non-instructional programs:			
Salaries	145,902	200	146,102
Benefits	19,456	1,720	21,176
Services	3,238	1,056	4,294
Supplies	169,342	1,731	171,073
Depreciation	5,584	0	5,584
	343,522	4,707	348,229
TOTAL OPERATING EXPENSES	343,522	65,843	409,365
OPERATING LOSS	(206,962)	(65,843)	(272,805)
NON-OPERATING REVENUES(EXPENSES):			
State sources	4,785	55,441	60,226
Federal sources	192,492	0	192,492
Loss on disposal of capital assets	(792)	0	(792)
TOTAL NON-OPERATING REVENUES	196,485	55,441	251,926
Changes in net assets	(10,477)	(10,402)	(20,879)
Net assets beginning of year	84,526	(15,924)	68,602
Net assets end of year	\$ 74,049	(26,326)	47,723

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds		
	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 138,299	0	138,299
Cash payments to employees for services	(165,358)	(63,056)	(228,414)
Cash payments to suppliers for goods or services	(157,472)	(2,587)	(160,059)
Net cash used in operating activities	(184,531)	(65,643)	(250,174)
Cash flows from non-capital financing activities:			
Interfund loan repayments	19,967	(19,967)	0
State grants received	4,785	59,484	64,269
Federal grants received	174,181	0	174,181
Net cash provided by non-capital financing activities	198,933	39,517	238,450
Cash flows from capital financing activities:			
Acquisitions of assets	(2,300)	0	(2,300)
Net cash used in capital financing activities	(2,300)	0	(2,300)
Net increase(decrease) in cash and cash equivalents	12,102	(26,126)	(14,024)
Cash and cash equivalents at beginning of year	12,101	0	12,101
Cash and cash equivalents at end of year	\$ 24,203	(26,126)	(1,923)
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (206,962)	(65,843)	(272,805)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	18,311	0	18,311
Depreciation	5,584	0	5,584
Increase in inventories	(3,203)	0	(3,203)
Increase in accounts payable	0	200	200
Increase in deferred revenue	1,739	0	1,739
Net cash used in operating activities	\$ (184,531)	(65,643)	(250,174)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and investments	\$ 24,203	(26,126)	(1,923)

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$18,311.

SEE NOTES TO FINANCIAL STATEMENTS.



WAPELLO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2007

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
	<u>Fund</u>
ASSETS	
Cash and pooled investments	\$ 18,507
Total assets	<u>18,507</u>
LIABILITIES	<u>0</u>
NET ASSETS	
Reserved for scholarships	<u>\$ 18,507</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2007

	Private Purpose Trust
	Scholarship Fund
Additions:	
Local sources:	
Gifts and contributions	\$ 3,000
FFA concessions	4,456
Interest income	199
Total additions	<u>7,655</u>
Deletions:	
Regular instruction:	
Scholarships awarded	300
FFA supplies	2,415
Total deletions	<u>2,715</u>
Change in net assets before other financing sources	4,940
Other financing sources:	
Transfer in	<u>6,562</u>
Change in net assets	11,502
Net assets beginning of year	<u>7,005</u>
Net assets end of year	<u><u>\$ 18,507</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

**(1) Summary of Significant Accounting Policies**

The Wapello Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Wapello, Iowa, and the predominate agricultural territory in Louisa and Des Moines Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Wapello Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Wapello Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Des Moines and Louisa Counties Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise funds, School Nutrition Fund and Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for the day care service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board

Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax

receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 814,222</u>



The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

**(3) Transfers**

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Physical Plant and Equipment Levy	\$ 30,058
Physical Plant and Equipment Levy	General Fund	15,000
Private Purpose Trust - Scholarship	Student Activity	6,562
Total		<u>\$ 51,620</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(4) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07A	6/28/06	6/28/07	\$ 0	33,770	0	27,649
2007-08A	6/28/07	6/27/08	620,019	185	621,000	158
Total			<u>\$ 620,019</u>	<u>33,955</u>	<u>621,000</u>	<u>27,807</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments

on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No ISCAP advance activity in the General Fund was noted for the year ended June 30, 2007.

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%
2007-08A	4.500%	5.455%

##### (5) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 35,000	0	0	35,000
Total capital assets not being depreciated	35,000	0	0	35,000
Capital assets being depreciated:				
Buildings	3,465,881	0	0	3,465,881
Land improvements	450,923	20,502	0	471,425
Machinery and equipment	2,060,074	82,792	0	2,142,866
Total capital assets being depreciated	5,976,878	103,294	0	6,080,172
Less accumulated depreciation for:				
Buildings	1,483,268	52,363	0	1,535,631
Land improvements	119,193	23,796	0	142,989
Machinery and equipment	1,738,287	114,460	0	1,852,747
Total accumulated depreciation	3,340,748	190,619	0	3,531,367
Total capital assets being depreciated, net	2,636,130	(87,325)	0	2,548,805
Governmental activities capital assets, net	\$ 2,671,130	(87,325)	0	2,583,805
Business-type activities:				
Machinery and equipment	\$ 84,037	2,300	1,358	84,979
Less accumulated depreciation	37,660	5,584	566	42,678
Business-type activities capital assets, net	\$ 46,377	(3,284)	792	42,301

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:	
Regular	\$ 41,391
Support services:	
Student	822
Administration	7,276
Operation and maintenance of plant	11,781
Transportation	53,190
	<u>114,460</u>
Unallocated depreciation	<u>76,159</u>
Total governmental activities depreciation expense	<u>\$ 190,619</u>

Business-type activities:

Food services	\$ 5,584
Total business-type activities depreciation expense	<u>\$ 5,584</u>

**(6) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 770,000	0	135,000	635,000	145,000
Loans	148,304	0	24,102	124,202	25,109
Computer Lease	0	43,854	0	43,854	43,854
Total	<u>\$ 918,304</u>	<u>43,854</u>	<u>159,102</u>	<u>803,056</u>	<u>213,963</u>

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond Issue of February 1, 1996		
		Principal	Interest	Total
2008	5.10 %	\$ 145,000	33,385	178,385
2009	5.20	155,000	25,990	180,990
2010	5.30	160,000	17,930	177,930
2011	5.40	175,000	9,450	184,450
Total		<u>\$ 635,000</u>	<u>86,755</u>	<u>721,755</u>

Loans Payable

On July 31, 2003, the District entered into a loan agreement with State Bank of Wapello for \$153,829 for paving the parking lot. The loan bears interest at 4.00% and requires ten annual payments of \$18,903 beginning July 31, 2004. The loan is scheduled to be repaid as follows:

Year	Loan of July 31, 2003			
Ending	Interest			
June 30,	Rates	Principal	Interest	Total
2008	4.00 % \$	14,367	4,536	18,903
2009	4.00	14,942	3,961	18,903
2010	4.00	15,539	3,364	18,903
2011	4.00	16,161	2,742	18,903
2012	4.00	16,807	2,096	18,903
2013	4.00	17,480	1,423	18,903
2014	4.00	18,164	739	18,903
Total		\$ 113,460	18,861	132,321

On June 16, 2003, the District entered into a loan agreement with MidWest One Bank of Wapello for \$50,000 for the purchase of a building to be used for the preschool program. The loan bears interest at 2.75% and requires annual payments of \$11,168 starting June 16, 2004. The loan is scheduled to be repaid as follows:

Year	Loan of June 16, 2003			
Ending	Interest			
June 30,	Rates	Principal	Interest	Total
2008	2.75 % \$	10,742	426	11,168

#### Computer Lease Payable

On June 12, 2003, the District entered into a lease agreement with Apple Computer, Inc. for personal computers, serves and networking equipment. The lease bears interest at 5.58% and requires annual payments of \$46,301 ending July 1, 2007. The loan is scheduled to be repaid as follows:

Year	Lease of June 17, 2003			
Ending	Interest			
June 30,	Rates	Principal	Interest	Total
2008	5.58 % \$	43,854	2,447	46,301

#### **(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$211,463, \$212,289 and \$193,088 respectively, equal to the required contributions for each year.

**(8) Risk Management**

Wapello Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$271,268 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Deficit Net Assets**

The Enterprise - Day Care Fund had deficit net assets of \$26,326 at June 30, 2007.

REQUIRED SUPPLEMENTARY INFORMATION

WAPELLO COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2007

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type				Actual
	Actual	Actual	Actual	Original	Final	Variance -
						Positive
						(Negative)
Revenues:						
Local sources	\$ 3,977,427	136,560	4,113,987	3,919,031	3,919,031	194,956
State sources	4,098,662	60,226	4,158,888	4,106,898	4,106,898	51,990
Federal sources	204,199	192,492	396,691	400,000	400,000	(3,309)
Total revenues	8,280,288	389,278	8,669,566	8,425,929	8,425,929	243,637
Expenditures:						
Instruction	5,301,823	61,136	5,362,959	5,600,384	5,600,384	237,425
Support services	1,802,783	0	1,802,783	1,843,400	1,843,400	40,617
Non-instructional programs	0	349,021	349,021	394,800	394,800	45,779
Other expenditures	523,495	0	523,495	1,113,909	1,113,909	590,414
Total expenditures	7,628,101	410,157	8,038,258	8,952,493	8,952,493	914,235
Excess(deficiency) of revenues over(under) expenditures	652,187	(20,879)	631,308	(526,564)	(526,564)	(1,157,872)
Other financing sources(uses), net	37,292	0	37,292	(76,590)	(76,590)	(113,882)
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	689,479	(20,879)	668,600	(603,154)	(603,154)	(1,271,754)
Balance beginning of year	1,379,809	68,602	1,448,411	828,839	828,839	(619,572)
Balance end of year	\$ 2,069,288	47,723	2,117,011	225,685	225,685	(1,891,326)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.



OTHER SUPPLEMENTARY INFORMATION

WAPELLO COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2007

	Special Revenue Funds					Total
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 75,188	112,495	199,136	386,819	61,145	447,964
Receivables:						
Property tax:						
Delinquent	1,940	0	3,009	4,949	3,806	8,755
Succeeding year	110,000	0	163,821	273,821	209,043	482,864
TOTAL ASSETS	\$ 187,128	112,495	365,966	665,589	273,994	939,583
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 379	0	0	379	0	379
Deferred revenue:						
Succeeding year property tax	110,000	0	163,821	273,821	209,043	482,864
	110,379	0	163,821	274,200	209,043	483,243
Fund balances:						
Reserved for:						
Debt service	0	0	0	0	64,951	64,951
Unreserved:						
Undesignated	76,749	112,495	202,145	391,389	0	391,389
Total fund balances	76,749	112,495	202,145	391,389	64,951	456,340
TOTAL LIABILITIES AND FUND BALANCES	\$ 187,128	112,495	365,966	665,589	273,994	939,583

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2007

	Special Revenue Funds				Total	
	Manage-	Student	Physical	Total	Debt	Total
	ment	Activity	Plant and	Special	Service	Other
			Equipment	Revenue		Nonmajor
			Levy	Funds		Governmental
						Funds
REVENUES:						
Local sources:						
Local tax	\$ 105,856	0	164,003	269,859	207,456	477,315
Other	10,496	307,240	363	318,099	0	318,099
State sources	78	0	120	198	151	349
Federal sources	0	0	260	260	0	260
TOTAL REVENUES	116,430	307,240	164,746	588,416	207,607	796,023
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	7,812	0	123,343	131,155	0	131,155
Other instruction	0	313,188	0	313,188	0	313,188
Support services:						
Student services	9,070	0	0	9,070	0	9,070
Instructional staff services	9,658	0	0	9,658	0	9,658
Administration services	1,100	0	0	1,100	0	1,100
Operation and maintenance of						
plant services	30,989	0	0	30,989	0	30,989
Student transportation	16,251	0	0	16,251	0	16,251
Other expenditures:						
Facilities acquisition	0	0	30,781	30,781	0	30,781
Long-term debt:						
Principal	0	0	0	0	159,102	159,102
Interest and fiscal charges	0	0	0	0	46,490	46,490
TOTAL EXPENDITURES	74,880	313,188	154,124	542,192	205,592	747,784
EXCESS (DEFICIENCY) OF REVENUES						
OVER (UNDER) EXPENDITURES	41,550	(5,948)	10,622	46,224	2,015	48,239
OTHER FINANCING SOURCES (USES):						
Transfer in	0	0	15,000	15,000	30,058	45,058
Transfer out	0	(6,562)	(30,058)	(36,620)	0	(36,620)
Proceeds from capital lease	0	0	43,854	43,854	0	43,854
TOTAL OTHER FINANCING SOURCES (USES)	0	(6,562)	28,796	22,234	30,058	52,292
NET CHANGE IN FUND BALANCES	41,550	(12,510)	39,418	68,458	32,073	100,531
FUND BALANCE BEGINNING OF YEAR	35,199	125,005	162,727	322,931	32,878	355,809
FUND BALANCE END OF YEAR	\$ 76,749	112,495	202,145	391,389	64,951	456,340

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendt- tures and Interfund Transfers	Intra- fund Transfers	Balance End of Year
<u>Graduating Classes:</u>					
Class of:					
2002	\$ 349	0	61	0	288
2003	1,238	0	0	0	1,238
2004	38	0	0	0	38
2005	513	0	0	0	513
2006	449	15	105	0	359
2007	3,038	344	2,314	0	1,068
2008	379	6,201	5,420	3	1,163
2009	770	0	143	0	627
2010	710	263	132	0	841
2011	135	1,827	1,116	0	846
2012	0	189	93	0	96
	7,619	8,839	9,384	3	7,077
<u>Clubs and Organizations:</u>					
FFA	1,991	41,857	41,567	85	2,366
FFA Farmland Project	20,582	0	4,841	0	15,741
FFA Greenhouse	2,368	5,430	4,467	0	3,331
FFA Software	712	699	0	140	1,551
FCCLA	552	2,417	2,082	0	887
Cheerleading - Football/Basketball	(148)	3,022	2,848	150	176
Cheerleading - Wrestling	(1,364)	1,513	1,555	1,564	158
Trees Forever	2,100	0	0	0	2,100
Aztec Club	58	0	0	0	58
Key Club	199	684	64	0	819
Poms	0	7,194	7,151	0	43
FFA Milk Machine	0	1,731	368	(225)	1,138
	27,050	64,547	64,943	1,714	28,368
<u>Athletics:</u>					
Athletics	11,763	19,298	26,355	(3,614)	1,092
Wrestling / Resale	(5,442)	4,271	4,706	5,877	0
Wrestling Gates	5,361	4,239	2,856	(6,247)	497
Wrestling Youth	(371)	0	0	371	0
Boys Basketball / Resale	67	30	135	38	0
Boys Basketball Gates	2,261	13,994	13,335	(99)	2,821
Boys Basketball Fundraiser	24	344	378	360	350
Boys Basketball Youth	755	1,302	1,929	0	128
Girls Basketball / Resale	0	0	1,080	1,080	0
Girls Basketball Gates	5,541	7,968	5,055	51	8,505
Girls Basketball Fundraiser	614	3,329	2,062	(1,430)	451
Volleyball / Resale	(1,271)	2,168	2,875	1,978	0
Volleyball Gates	2,204	8,152	7,064	0	3,292
Volleyball Fundraiser	2,294	6,963	6,200	(1,978)	1,079
Volleyball Youth/Camp	(501)	64	64	0	(501)

WAPELLO COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendt- tures and Interfund Transfers	Intra- fund Transfers	Balance End of Year
<u>Athletics (Continued):</u>					
Cross Country	(1,069)	1,329	1,948	1,769	81
Baseball / Resale	(1,597)	5,756	6,523	0	(2,364)
Baseball Gates	2,253	4,642	7,860	0	(965)
Baseball Fundraiser	14	6,804	0	(2,622)	4,196
Softball / Resale	(1,873)	1,079	4,478	2,453	(2,819)
Softball Gates	2,418	3,897	5,317	(2,453)	(1,455)
Softball Fundraiser	(480)	1,657	2,444	2,622	1,355
Boys Track / Resale	(909)	1,480	(1)	878	1,450
Boys Track Gates	916	2,261	2,355	(779)	43
Girls Track / Resale	464	0	0	(396)	68
Girls Track Gates	(876)	2,214	2,403	1,106	41
Football / Resale	(8,523)	4,631	14,259	18,151	0
Football Gates	10,433	10,602	4,804	(15,943)	288
Football Fundraiser	446	4,682	0	(2,318)	2,810
Golf / Resale	(1,451)	191	825	2,151	66
5/6 Girls Basketball	847	0	0	0	847
Jim Short Athletic Memorial	1,505	545	500	0	1,550
	25,817	123,892	127,809	1,006	22,906
<u>Academic Clubs:</u>					
Drama and Speech	2	5,371	4,232	0	1,141
Drama Gates	2,053	3,426	4,450	0	1,029
Drama Fundraiser	3,006	0	14	0	2,992
Talented and Gifted	15	138	105	0	48
Vocal	1,487	3,435	4,508	85	499
Vocal Uniform	0	0	0	730	730
Vocal Trip	6,207	172	0	0	6,379
Band	490	1,481	1,741	136	366
Band Uniforms	368	0	0	624	992
Instrument Repair	21	0	0	0	21
Band - Adventureland	26	0	0	0	26
Color Guard	4	0	0	0	4
Art Club	209	36	0	0	245
Yearbook - Odd	(7,215)	6,005	8,141	(4,595)	(13,946)
Yearbook - Even	1	780	5,687	4,906	0
Newspaper	(539)	0	0	539	0
Student Senate	330	1,728	1,651	0	407
Industrial Arts	1,180	1,430	1,955	0	655
National Honor Society	660	0	291	0	369
Prom	3	0	0	(3)	0
School-To-Work	64	0	0	0	64
Peer Mentoring	70	0	0	0	70
Photography	210	97	144	120	283
	8,652	24,099	32,919	2,542	2,374

WAPELLO COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendt- tures and Interfund Transfers	Intra- fund Transfers	Balance End of Year
<u>Junior High</u>					
School-To-Work	167	904	732	0	339
Photography	22	0	0	0	22
	<u>189</u>	<u>904</u>	<u>732</u>	<u>0</u>	<u>361</u>
<u>Elementary</u>					
Elementary	13,115	6,704	4,537	0	15,282
Elem Library	1,826	4,534	3,790	32	2,602
Elem Playground Equipment	13,343	2,019	6,546	0	8,816
Elem Vocal Music	3,303	1,071	821	0	3,553
Elem Student Council	693	0	337	0	356
Trace Dossett Reading Garden	298	50	58	0	290
Elementary Pop	1,886	3,522	2,731	0	2,677
Character Counts Program	28	970	812	0	186
Elem Band	145	0	0	0	145
Pre School Playground Fund	6,887	0	0	0	6,887
Elem Walks	0	100	51	0	49
	<u>41,524</u>	<u>18,970</u>	<u>19,683</u>	<u>32</u>	<u>40,843</u>
<u>Miscellaneous</u>					
Pop Machines	(1,814)	16,900	15,431	0	(345)
Milk Shake Machine	191	0	0	0	191
Registration	16	41,098	35,649	(5,455)	10
Sandpoint Fund	30	0	0	0	30
Bus Barn Pop	216	32	0	0	248
Wal Mart Foundation	474	0	0	0	474
Student of the Month	347	664	441	0	570
Spanish Trip	227	0	0	0	227
High School Library	599	357	50	158	1,064
Pennies for Patients	0	863	863	0	0
Interest Savings	94	69	75	0	88
Interest Checking	369	622	537	0	454
School Nurse Fund	13,405	5,384	11,234	0	7,555
	<u>14,154</u>	<u>65,989</u>	<u>64,280</u>	<u>(5,297)</u>	<u>10,566</u>
Total	<u>\$ 125,005</u>	<u>307,240</u>	<u>319,750</u>	<u>0</u>	<u>112,495</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$	3,358,514	3,046,344	2,873,859	2,424,992
Tuition		176,768	215,080	196,802	195,142
Other		442,145	422,413	424,466	333,130
State sources		4,098,662	3,834,209	3,446,281	3,158,613
Federal sources		204,199	221,391	193,239	210,696
Total		\$ 8,280,288	7,739,437	7,134,647	6,322,573
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$	3,407,171	3,124,319	3,028,768	2,875,548
Special instruction		870,521	958,535	999,754	863,058
Other instruction		1,024,131	1,035,072	786,460	690,738
Support services:					
Student services		127,343	117,265	105,746	98,238
Instructional staff services		76,407	59,603	69,495	103,643
Administration services		618,373	614,171	611,608	525,707
Operation and maintenance of plant services		635,163	664,509	459,932	406,687
Transportation services		345,497	317,789	368,999	314,209
Other expenditures:					
Facilities acquisitions		46,635	55,207	3,509	186,239
Long-term debt:					
Principal		159,102	153,158	204,865	129,462
Interest and fiscal charges		46,490	53,805	61,871	59,824
AEA flow-through		271,268	248,746	227,703	221,144
Total		\$ 7,628,101	7,402,179	6,928,710	6,474,497

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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(a professional corporation)  
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Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of the  
Wapello Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Wapello Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 25, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wapello Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Wapello Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wapello Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Wapello Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Wapello Community School District's financial statements that is more than inconsequential will not be prevented or detected by Wapello Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Wapello Community School District's internal control.



Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wapello Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Wapello Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Wapello Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Wapello Community School District and other parties to whom Wapello Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Wapello Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 25, 2008

WAPELLO COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to monitor controls and implement procedures when feasible.

Conclusion - Response accepted.

- I-B-07 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from. A more specific example of these instances is as follows:

Past graduating class accounts should be closed and allocated to the other activity accounts. There are several other inactive accounts that should be review and closed. They are Instrument Repair, Band - Adventureland, Color Guard, Art Club, School-To-Work, Peer Mentoring, Photography, Sandpoint Fund, Wal Mart Foundation, Spanish Trip, Milk Shake Machine, 5/6 Girls Basketball, Elem Band, Pre School Playground and Aztec Club.

The elementary and pre-school playground accounts, Trace Dossett Reading Garden and trees forever account are to be used primarily for the purchase of playgroup equipment and landscaping at various buildings. These funds would more appropriately be run through the Special Revenue, Physical Plant and Equipment Levy Fund.

The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended. These accounts are Elem Library, High School Library,

Registration, Talented and Gifted and Industrial Arts. These accounts appear to not be student run organization accounts and should be closed and transferred to the General Fund.

There are Interest accounts. These accounts should be allocated among the Student Activity Funds that earned the interest. This allocation should be done at least annually. Interest earned should be distributed to individual accounts within the Student Activity Fund.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - The District will look at the mentioned accounts and determine if they need to be moved to a different fund where the monies can be properly receipted and expended. Accounts from past graduating classes and inactive accounts will be investigated and allocated to other activity accounts. The accounts that are mentioned that would be more appropriately run out of the PPEL fund will be investigated and moved accordingly. The accounts that appear to be more administratively maintained will be investigated, closed and run out of General fund. Interest allocation will be done to the interest bearing accounts on an annual basis as suggested.

Conclusion - Response accepted.

- I-C-07 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements of all funds to the general ledger on a timely basis.

Recommendation - The District should reconcile bank statement balances to financial statement bank balances on a monthly basis on a timely basis.

Response - The District has worked with the software provider to receive training on a more effective way of reconciling bank statements to the general ledger. Previously many manual calculations were required; now all accounts are listed within the computer system that allows for more effective reconciliation of the bank statements to the general ledger.

Conclusion - Response accepted.

- I-D-07 Photo Image Checks - We noted during our audit that District receives their checks from the bank as photo images showing only the front of the checks. Chapter 544D.114 of the Code of Iowa requires both the front and back of check images to be retained.

Recommendation - The District should contact the bank to rectify the situation. The District should receive the photo images showing both the front and back of the checks or the original issued check.

Response - The District has contacted the banks and is now receiving images of the front and back of the checks.

Conclusion - Response accepted.

- I-E-07 Purchase Orders - We noted during our audit that ninety-five of ninety-nine disbursements that we tested didn't have a purchase order.

Recommendation - Better internal control is achieved when pre-numbered purchase orders are used and the sequence is monitored. The District should review the purchase order system in place. Purchase orders provide approval to order, therefore, pre-numbered purchase orders should be approved by the administrator before the ordering of supplies takes place.

Response - A new purchase order system was put into place at the beginning of the school year. All staff members were instructed that purchase orders are required to be in place prior to ordering goods.

Conclusion - Response accepted.

- I-F-07 Supporting Documentation - We noted during our audit four instances of no supporting documentation to go with the cancelled check stubs when paying disbursements.

Recommendation - The District should review their procedures that are in place to ensure that all bills are supported, approved and paid from an invoice with a purchase order. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or requiring support document other than an invoice. The District should have two board members review the paid invoices monthly to ensure supporting documentation is maintained.

Response - The District will be more attentive in making sure that proper supporting documentation is in place when paying invoices. The District will require supplemental information and documentation when an invoice is not available.

Conclusion - Response accepted.

- I-G-07 Drug Free Grant - We noted during our audit that the Drug Free Grant general ledger expenditures were not used to file the quarterly reports to the State.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures. The Drug Free Grant quarterly reports file with the State need to be reconciled to the general ledger.

Response - The Drug Free Grant will be handled by the district office in the future. Previously, a staff member was managing this grant, and the duties have now been shifted to the business manager.

Conclusion - Response accepted.

- I-H-07 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff. We also noted 1 of 25 payroll employee contracts tested an overpayment was made for extra curricular activities of \$64.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The extra curricular activities overpayment needs to be adjusted on the future payment made to the individual. The District should review payroll procedures for extra curricular activity payments to ensure payments made are accurately and document supported to avoid errors.

Response - The District will require non-certified coaches to keep track of hours worked and report them to the business office at the end of their contract and prior to any payment being made to the coach. The overpayment will be corrected in the next fiscal year's contract to that individual and we will review payroll procedures to ensure payments are made accurately.

Conclusion - Response accepted.

WAPELLO COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-07 Certified Budget - District disbursements for the year ended June 30, 2007, did not exceed the amount budgeted.
- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
John Vandenberg, Teacher Spouse of Susan Vandenberg	Supplies	\$2,062
Eric Small, Board Secretary Sister owns Stitches and Cream	Services	\$576

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouse and sister of the employees do not appear to represent a conflict of interest.

- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-J-07 Financial Condition - The District had a deficit net assets of \$26,326 in the Enterprise - Day Care Fund. We also noted during our audit deficit account balances in the Special Revenue, Student Activity Fund.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - The District will monitor these funds and investigate alternatives to eliminate the deficits.

Conclusion - Response accepted.